

COMMONWEALTH OF VIRGINIA

OFFICE OF THE GENERAL COUNSEL

P.O. Box 1197
Richmond, Virginia 23218-1197



Telephone Number (804) 371-9671

Facsimile Number (804) 371-9240

Facsimile Number (804) 371-9549

STATE CORPORATION COMMISSION

January 28, 2015

Hon. Chester A. McPherson, Acting Commissioner
District of Columbia Department of Insurance, Securities and Banking
810 First Street NE, Suite 701
Washington, D.C. 2002

RE: IN THE MATTER OF:
Surplus Review and Determination for Group Hospitalization and Medical Services, Inc.
Decision and Order No: 14-MIE-012.

Dear Commissioner McPherson:

As a courtesy I wish to inform you that the State Corporation Commission's Bureau of Insurance ("Bureau") has reviewed the Decision and Order No: 14-MIE-012 in the above case.

In the Statement filed in this Matter dated September 29, 2014, the Bureau indicated that it would be guided by § 38.2-4229.2 of the Code of Virginia.

Please accept this letter as notice the State Corporation Commission ("Commission") entered an Order Initiating Proceeding and Directing Report on January 21, 2015, and the Bureau of Insurance has commenced an examination of Group Hospitalization and Medical Services Inc. ("GHMSI"). A copy of the Commission's order is attached to this letter.

The examination will focus on the Decision and Order's impact on GHMSI surplus, premium rates for residents of the Commonwealth covered by policies issued or delivered either in the Commonwealth or in any other state and solvency. If the examination finds that Decision and Order is harmful to the interests of residents of Virginia covered by policies issued or delivered in Virginia or in any other state, the Bureau will recommend that the Commission enter an appropriate order to protect residents of Virginia.

Respectfully submitted,

Donald C. Beatty
Senior Counsel

DCB:jpr

Enclosure

cc: Hon. Jacqueline K. Cunningham, Commissioner of Insurance
c/o Debbie Pearson

Randolph Sargent, Vice President & Deputy General Counsel, Group Hospitalization and
Medical Services, Inc.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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AT RICHMOND, JANUARY 21, 2015
SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

COMMONWEALTH OF VIRGINIA, *ex rel.*

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STATE CORPORATION COMMISSION

CASE NO. INS-2015-00007

Ex Parte: In the matter of an examination of
Group Hospitalization and Medical Services Inc.

ORDER INITIATING PROCEEDING AND DIRECTING REPORT

In accordance with § 38.2-4229.2 of the Code of Virginia ("Code"), if another state enacts a law that requires a health services plan operating in the Commonwealth of Virginia ("Commonwealth") to provide a program or benefits for the residents of the other state, then the State Corporation Commission ("Commission") may conduct a proceeding to review and evaluate the impact of the law on the health services plan.

Group Hospitalization and Medical Services Inc. ("GHMSI") is a health services plan, as defined by § 38.2-4201 of the Code, that operates in the Commonwealth as well as the District of Columbia ("D.C."). On December 30, 2014, the D.C. Department of Insurance, Securities and Banking ("DISB") found that as of December 31, 2011, GHMSI's surplus was excessive and that 21% of GHMSI's surplus is attributable to D.C. The DISB ordered GHMSI to submit a plan to the D.C. Commissioner for dedication of its excess of 2011 surplus attributable to D.C. for community health reinvestment in a fair and equitable manner. Accordingly, pursuant to § 38.2-4229.2 of the Code, the Commission may conduct a proceeding to evaluate the impact of this law on GHMSI.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that it should initiate a proceeding pursuant to § 38.2-4229.2 of the Code. We will direct the Commissioner of Insurance to conduct an examination of GHMSI pursuant to its examination

authority under §§ 38.2-1317 and 38.2-4229.2 of the Code and to report her findings to the Commission. The report shall include, at a minimum, the impact of the DISB's order on:

(i) surplus; (ii) premium rates for residents of the Commonwealth covered by policies issued or delivered either in the Commonwealth or in any other state; and (iii) solvency.

Accordingly, IT IS ORDERED THAT:

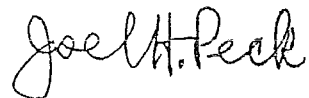
(1) This matter is docketed and assigned Case No. INS-2015-00007.

(2) On or before February 27, 2015, the Commissioner of Insurance shall file a report in accordance with the directives outlined above and §§ 38.2-1317 and 38.2-4229.2 of the Code, including a recommendation as to whether the impact of the DISB order on GHMSI is harmful to the interests of residents of the Commonwealth covered by policies issued or delivered either in the Commonwealth or in any other state.

(3) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Jacqueline C. Cunningham, Commissioner of Insurance, and Deputy Commissioner Douglas C. Stolte, in the Commission's Bureau of Insurance; and a copy shall be delivered to Donald C. Beatty, Senior Counsel, in the Commission's Office of General Counsel.

A True Copy
Teste:



Clerk of the
State Corporation Commission